



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON

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OCT 15 2002



DFAS-DFM

MEMORANDUM FOR DIRECTOR, CONTINUING GOVERNMENT ACTIVITY
OPERATIONS DIVISION (DFAS-PM/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation (DoDFMR), Volume 7B, Regarding the Special Compensation for Severely Disabled Retirees (DFAS Item L-28)

The attached is Interim Change **R 12-02** to the DoDFMR, Volume 7B, which incorporates a new chapter, Special Compensation for Severely Disabled Retirees. Public Law 106-65, Section 658 provided special compensation for certain retirees who have service-connected disability of 70 percent or more for a disability identified within 4 years of retirement. This law was later amended by Public Law 106-98, Section 657 to include retirees who are receiving retired pay for a physical disability. Public Law 107-107, Section 641 lowered the disability rating qualification to 60 percent. This change is effective immediately.

We have reviewed your comments on the proposed change and included your comments where appropriate. Assignment of the interim change number is your authority to initiate procedure modifications to implement this change. Use the attached to initiate the formal change to the DoDFMR, Volume 7B.

for Gloria D. Hinton
Jerry S. Hinton
Director for Finance

Attachment:
As stated

cc: DASD(MPP)(Comp)
Service Liaisons
USCG/NOAA/PHS Liaisons
DFAS-PMJE/DE

SPECIAL COMPENSATION FOR SEVERELY DISABLED RETIREES**1. Add the following to the Table of Contents:**

62 SPECIAL COMPENSATION FOR SEVERELY DISABLED RETIREES

2. Add the following to the EXPANDED TABLE OF CONTENTS

6201 Background

6202 Eligibility

6203 Service-Connected Disability Qualification

6204 Temporary Disability Retired List/Permanent Disability Retired List
(TDRL/PDRL)

6205 Entitlement

3. Add new Chapter 62 as follows:**CHAPTER 62****SPECIAL COMPENSATION FOR SEVERELY DISABLED RETIREES****6201 BACKGROUND**

Public Law 106-65, section 658, October 5, 1999, added a new section 1413 to Title 10, United States Code, that provides special compensation for certain non-disability retirees who had completed at least 20 years of service and who received a rating of 70 percent or more of disability within 4 years of retirement. Payments were effective October 1, 1999. Section 1413 was later amended by Public Law 106-398, section 657, October 30, 2000, to include retirees who are receiving retired pay for physical disability under 10 U.S.C. chapter 61, effective October 1, 2001. Public Law 107-107, section 641, December 28, 2001, further enhanced the special compensation by including disability rating of at least 60 percent.

6202 ELIGIBILITY

620201. Eligible Members. An eligible member is a retired member who meets criteria provided below.

A. The member must be in a retired status. A retiree need not be in actual receipt of retired pay to be in a retired status, i.e., Department of Veterans Affairs full waivers and retirees who combined military time in computation of civil service retirement annuity.

B. For benefits payable in months before October 2001, a member must not be retired for disability under 10 U.S.C., chapter 61. This limitation was repealed effective October 1, 2001, for benefits paid on or after that date. No benefits are payable for months before October 2001 as a result of the revised program criteria.

C. The member must have at least 20 years of qualifying service for computing retired pay.

620202. Reserve Components. A Reservist with retired pay computed under provisions of 10 U.S.C, chapter 1223 must have at least 20 years or more of qualifying service as defined under 10 U.S.C. 12733. Thus, a retired Reservist must have 7200 points or more and be in receipt of retired pay (unless waived) to be eligible for special compensation. A retired Reservist in a drilling status is not entitled to the special compensation.

620203. Members Not Eligible. Members who retired under section 4403 of Public Law 102-484, October 23, 1992, (commonly referred to as Temporary Early Retirement Authority (TERA) are not eligible, even if the member has subsequent service in public and community service positions creditable for recomputation of retired pay at age 62, unless such member is recalled to active duty long enough to accumulate 20 years or more actual service and receive a retired pay multiplier of at least 50 percent (40 percent for REDUX retirement).

6203 SERVICE-CONNECTED DISABILITY QUALIFICATION

A qualifying service-connected disability (under 38 U.S.C. 101) is disability incurred or aggravated in line of duty as a member of the Uniformed Services that is rated as not less than 70 percent disability for the months before February 2002, and at least 60 percent disabling for the months after January 2002. A disability must qualify in terms of being both ORIGINAL and CURRENT.

620301. Original Qualification. Special compensation is payable only to a member who has an Original Qualification rating, as described below, that was at least 60 percent for benefits payable for the months after January 2002, and at least 70 percent for months before February 2002. A member's original qualification rating is:

A. For benefits payable for months after September 1999, the highest VA disability rating held by the member within 4 years of the date of retirement from the Uniformed Service, or

B. For benefits payable for the months after September 2001, the higher of:

1. The highest VA disability rating held by the member within 4 years of the date of retirement from the Uniformed Services, or

2. The member's disability rating from the Service upon retirement if retired for disability rating under 10 U.S.C., Chapter 61.

620302. Current Qualification. A member's current qualification rating is the percentage disability rating used by the Secretary of Veterans Affairs for compensation in the month of entitlement. To be eligible for benefits for a given month, a retiree must be entitled to and in receipt of DVA disability compensation for that month based on a rating at a qualifying level of disability. The Special Compensation is payable only if the current qualification rating is:

A. For benefits payable for the months before February 2002, at least 70 percent;

B. For benefits payable for months after January 2002, at least 60 percent.

6204 TEMPORARY DISABILITY RETIRED LIST (TDRL)/PERMANENT DISABILITY RETIRED LIST (PDRL)

Members who retired under provisions of disability retirement are not eligible for compensation for months prior to October 2001. Such members are the only ones who have disability rating established by the Service Secretary concerned as of the date of their retirement. For the purpose of an ORIGINAL qualification rating, the rating from the member's Service upon retirement is considered to include the highest rating applicable while on the TDRL or upon transfer to PDRL within 4 years of the original retirement date.

6205 ENTITLEMENT.

A retiree is entitled to special compensation for each month during which, for the entire month, the retiree is an eligible member and has a qualifying service-connected disability per paragraphs 610301 and 610302 above.

620501. Effective Date. The effective date of payment is October 1, 1999. No special compensation benefits may be paid for any month prior to October 1999. For retirees who retired under 10 U.S.C. chapter 61, entitlement commenced October 1, 2001. No benefits of 60 percent disability rating under Public 107-107, section 641 are payable prior to February 2002.

620502. Monthly Amount. A retiree's percentage of disability rating for a given month as reported by the VA determines the amount of special compensation entitlement for that month in accordance with the following schedule:

Disability %	Oct 1999	Feb 2002	Jan 2003	Oct 2004
60	N/A	\$50.00	\$50.00	\$50.00
70	\$100.00	\$100.00	\$100.00	\$125.00
80	\$100.00	\$100.00	\$125.00	\$150.00
90	\$200.00	\$200.00	\$225.00	\$250.00
100*	\$300.00	\$300.00	\$325.00	\$350.00

*100 percent disability includes disability for which a rating of total has been assigned because of the disabled retiree's inability to secure or follow substantially gainful occupation as a result of service-connected disabilities.

620503. Tax Consideration. For tax purposes, the entitlement under this section will be treated under the same rules that apply to disability retired pay.

620504. Funding Requirement. The Special Compensation is not military retired pay. Therefore, it must be paid from funds appropriated for pay and allowances of the recipient member's branch of service.

4. Add to the Bibliography:

Chapter 62 Special Compensation for Severely Disabled Retirees

6201

Public Law 106-65, section 658,
October 5, 1999
Public Law 106-398, section 657,
October 30, 2000
Public Law 107-107, section 641,
December 28, 2001
10 U.S.C. 1413